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Denmark: An Overview of Recent Regional Policy Change - Country Report for EoRPA 2007

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1. INTRODUCTION

Since 2002 Danish regional policy has witnessed a period of intense change. This contrasts sharply with the relatively constant picture presented during the 1990s when, after the termination of central government regional aid schemes in 1991, policies consisted of Structural Funds programmes and bottom-up initiatives, tempered by attempts by central government to introduce a greater degree of coordination. The pace of change has picked up in earnest since the start of 2004 and has revolved around three closely-related central government initiatives which have profoundly transformed the organisational set-up for regional development:

- A major reform of local government which came into force on 1 January 2007, reducing the number of local authorities from 275 to 98 and the number of intermediate-level units from 14 *Amter* to five large regions.
- A new Business Development Act passed by parliament in 2005 (*Lov om erhvervsfremme*, L47 of 16 June 2005) which gives the new regions statutory responsibility for economic development through statutory partnership bodies, *Regional Growth Fora*.
- A new institutional set-up which integrates local, regional, national and European economic development activities within a single, programme-based, policy structure. This is very different from practices in the 1990s when the policies of the different levels of government tended to operate in a much more segregated manner and often through separate organisational channels.

Although the first two changes have been known about since 2005, the late approval of the Danish Structural Fund programmes in Spring 2007¹ has (predictably) delayed a substantial part of the funding for regional development activities. As a consequence, the paper, in effect, focuses on the final 12 months of transition to a new regional policy regime in Denmark. All dressed up, claiming to know where to go - and waiting for Europe to pay for the taxi!

2. PERCEPTIONS OF THE REGIONAL PROBLEM

Differences in wealth between the capital city area and the rest of Denmark are relatively limited by international standards. As Table 1 shows, no NUTS III region deviated by more than 12 percent from the national average in terms of taxable income in 2005. Similarly, as illustrated by Figure 1, unemployment levels have also been broadly similar and, indeed, have become more so in recent years, except for the isolated Baltic island of Bornholm. However, contrasts are more apparent when reviewing local labour markets in the shape of

¹ Halkier, H. (2007). *Closing Down and Opening Up - Danish Structural Funds Programming Spring 2007: country report for Denmark for the meeting of IQ-Net, Sachsen-Anhalt 2007*. Vaarst, KatPlan.

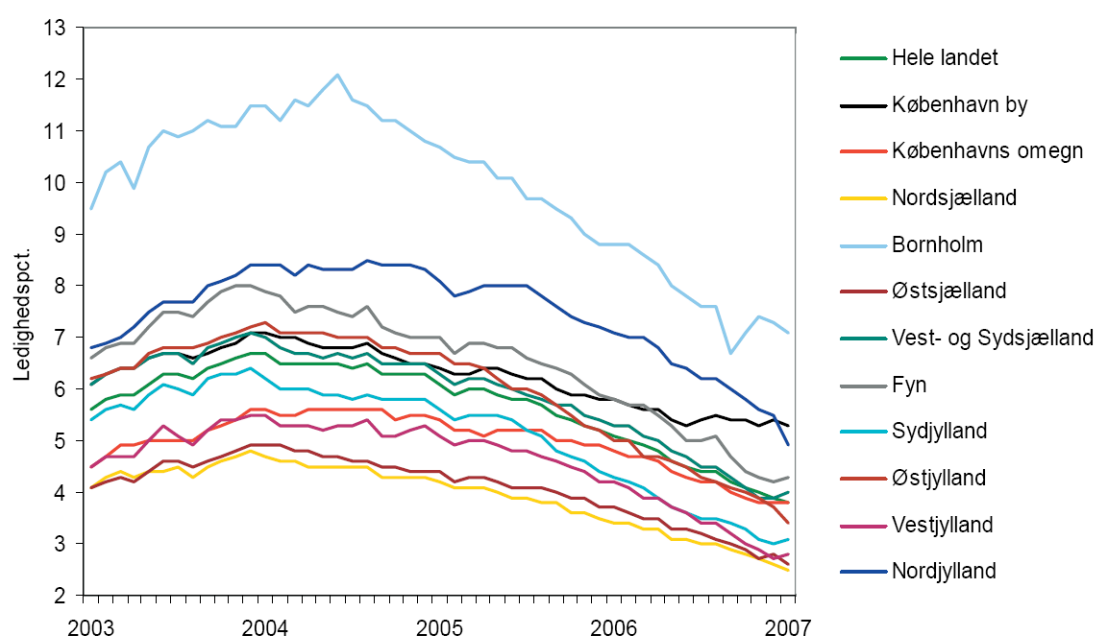
27 commuter areas, using a synthetic index of regional development.² The difference between the busy and increasingly congested parts of the country on the one hand (Greater Copenhagen, Zealand, East Jutland) and the relatively remote and geographically scattered pockets of underperformance on the other is clearly visible, as illustrated by Figure 2.

Table 1: Taxable income per capita in the Danish NUTS III regions

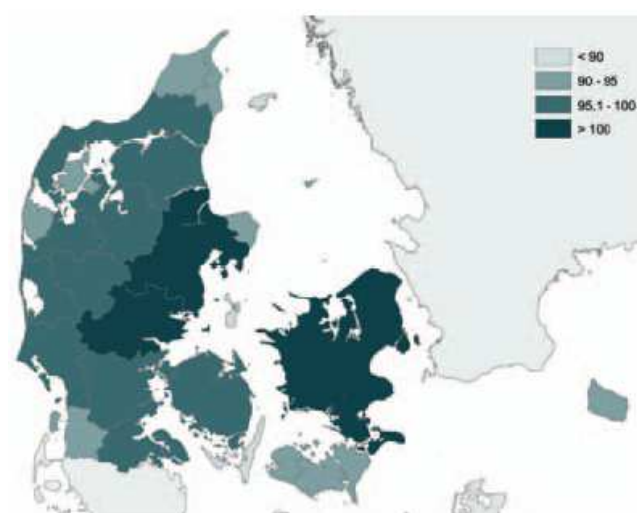
Region / Amt:	År:							
	1970*	1980*	1985	1990	1995	2000	2003	2005
Hovedstadsområdet	125	118	117	117	113	114	112	111
Vestsjællands Amt	93	95	94	95	96	95	95	96
Storstrøms Amt	90	94	92	91	92	92	93	93
Bornholms Reg.	79	87	85	85	87	86	87	88
Fyns Amt	89	93	92	92	94	92	93	93
Sønderjyllands Amt	84	90	89	89	92	91	92	92
Ribe Amt	84	89	90	91	93	92	94	94
Vejle Amt	87	91	93	94	97	96	98	98
Ringkøbing Amt	83	87	91	89	92	92	92	93
Århus Amt	92	94	95	96	97	97	98	97
Viborg Amt	77	84	87	87	89	90	91	92
Nordjyllands Amt	81	88	89	88	91	91	92	92

Source: Indenrigs- og Sundhedsministeriet (2007). Regionalpolitisk redegørelse 2007 - Analyser og baggrund. København, Indenrigs- og Sundhedsministeriet.

² The index includes population change 1996-2006, share of 20-66 olds in 2006, employment change 1995-2005, unemployment (2005), change in taxable income 1995-2005, and per capita income 2005.

Figure 1: Monthly unemployment rates, 2003-2007

Source: Indenrigs- og Sundhedsministeriet (2007). *Regionalpolitisk redegørelse 2007 - Analyser og baggrund*. København, Indenrigs- og Sundhedsministeriet.

Figure 2 Synthetic index of regional development by commuter region (2005/2006).

Source: Indenrigs- og Sundhedsministeriet (2007). *Regionalpolitisk redegørelse 2007 - Analyser og baggrund*. København, Indenrigs- og Sundhedsministeriet.

The perception of the regional problem has not changed since the publication of the latest regional policy White Paper in 2003.³ This can be seen in the most recent government reports on regional development⁴ which highlight two broad concerns. On the one hand, it is seen to be important that each region maximises its contribution to national growth while, on the other, less well-off peripheral parts of the country are acknowledged to warrant special attention based on considerations of equity. This differs from the approach which dominated regional policy in Denmark in the period from the early 1990s up until the publication of the 2003 White Paper; during that phase, the dominant concern was to ensure equal growth opportunities in every region.

The dual perception of the regional problem is institutionalised in the 2005 Business Development Act. This defines the purpose of regional policy in terms of six priority areas: innovation, ICT, entrepreneurship, human resources, tourism, and the development of peripheral areas. The first four have been derived from the 'growth drivers' identified by OECD and form the basis of the synthetic regional competitiveness model used in the annual government report on regional issues.⁵ The addition of the last two priority areas reflects political concerns about the persistent underperformance of peripheral areas, characterised by population decline and limited economic development.

With respect to the analysis of regional problems, an intensive development project is being undertaken jointly by central government and the new regions in order to improve the information base for policy development. This will both provide a more uniform and sophisticated picture of the economic situation in the regions to inform policymaking and will help to support the evaluation of programmes and projects through an elaborate set of indicators.

3. THE POLICY RESPONSE

The 2003 White Paper defined the aim of central government with regard to regional development as maintaining Denmark's "*leading position within Europe as one of the countries with the smallest differences between regions*" through "*specific initiatives ... that target peripheral areas so that they are not cut off from the growth occurring in other parts of the country*".⁶ Compared to the strategies of the 1990s, which emphasised regional policy as a means to increase regional - and hence national - efficiency,⁷ the importance of interregional equality as a goal in its own right was clearly highlighted by the

³ Regeringen (2003) *Den regionale vækststrategi*, København: Økonomi- og erhvervsministeriet; English version www.oem.dk/publication/growth/strategy.pdf.

⁴ Indenrigs- og Sundhedsministeriet (2007). *Regionalpolitisk Redegørelse 2007*. København, Indenrigs- og Sundhedsministeriet; Økonomi- og Erhvervsministeriet (2007). *Regionalpolitisk vækstredogørelse 2007*. København, Økonomi- og Erhvervsministeriet.

⁵ See Indenrigs- og Sundhedsministeriet (2007). *Regionalpolitisk Redegørelse 2007*. København, Indenrigs- og Sundhedsministeriet.

⁶ Regeringen 2003 p 55

⁷ Halkier, Henrik (2001) Regional Policy in Transition - A Multi-level Governance Perspective on the Case of Denmark, *European Planning Studies* 9(3): 323-38.

White Paper. However, in the context of the 2005 Business Development Act, this acknowledgement of equity coexists with a growth-oriented agenda which focuses on the role of the new regions in promoting economic development.

Each of the five new regions is statutorily obligated to establish one (or more) regional growth fora. This has resulted in six fora being set up, as the Capital Region has created a separate forum for the peripheral island of Bornholm. The regional growth fora are partnership bodies in the traditional Structural Funds mould, which provide input to the elected regional councils with regard to development measures. Interestingly, the new Business Development Act has instituted a dual-key control situation where the elected council and the partnership fora can veto each other's ideas, unlike the previous situation where the elected council invariably had the final say. On the other hand, regional-level economic development has generally been a very consensual area of policy in Denmark. The change to the distribution of roles may well have more to do with political symbolism than with bringing about strategic change through institutional engineering.

The new set-up also involves closer statutory relations between the various tiers of government. In individual regions, local authorities nominate a sizeable number of representatives to the regional growth fora, funding for the fora is provided by both local and central government (unlike the *Amter*, the new regions have no powers of taxation) and, at the administrative level, central government (in the form of the NAEC, the National Agency for Enterprise and Construction) has assisted in the setting up of the new fora, most of which cut across existing administrative boundaries. The NAEC has also coordinated the creation of a uniform system of socio-economic data as a basis for future policy-making. Finally, at the political level, each of the regional growth fora has entered into a so-called 'partnership agreement' aimed at ensuring that regional strategies are in line with the 'globalisation strategy' of the Danish government.⁸ At the same time, the regional growth fora have drafted in a wider range of central government departments in support of the regional strategies for economic development.

It is interesting to note that the recent government report on regional growth in May 2006 increased the importance of spatial selectivity in Danish regional policy. Although state aid areas have continued to be designated since the termination of regional subsidies in 1991,⁹ the only significant spatially-selective policies have been the various Structural Funds programmes. It was only from 2003 onwards that very minor initiatives targeting the most disadvantaged areas were put in place.¹⁰ The May 2006 report announced the designation of *yderområder*, peripheral (or literally 'outer') areas that will benefit from targeted support from various programmes, national as well as regional and European; this designation is likely to be used by most central government bodies for spatially-targeted

⁸ Regeringen (2007). *Progress, Innovation and Cohesion. Strategy for Denmark in the Global Economy - Summary*. København, Regeringen.

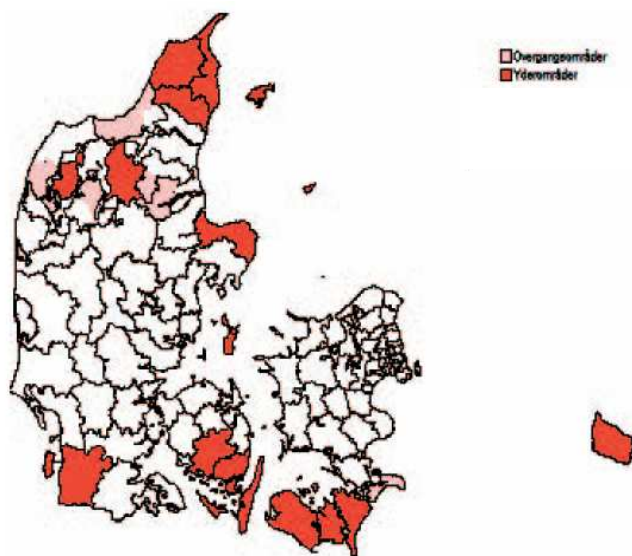
⁹ Halkier, Henrik (2001) Regional Policy in Transition - A Multi-level Governance Perspective on the Case of Denmark, *European Planning Studies* 9 (3): 323-38.

¹⁰ See the discussion of policy instruments below.

activities. The designation is the result of an extensive inter-departmental exercise which resulted in a map based on localities meeting just two criteria:

- work- and business-related income of less than 90 percent of the national average
- population growth of less than 50 percent of the national average

Figure 3 Peripheral and transitional areas as of 2006.



Source: Indenrigs- og Sundhedsministeriet (2007). Regionalpolitisk redegørelse 2007 - Analyser og baggrund. København, Indenrigs- og Sundhedsministeriet.

The territorial unit for designation is the new (greatly enlarged) local district but, in order to take into account the integration into wealthy districts of relatively weak areas, a number of 'old districts' have been designated as 'transitional areas'. In addition to this, all small inhabited islands have been designated. The final result is the map shown in Figure 3. The areas designated for the full 2007-13 period hold 8.4 percent of the Danish population. The areas designated as transitional areas until the end of 2008 contain a further 2.57 percent of the population.¹¹ Although the new Danish Objective 2 programme will cover the entire country, spatial selectivity is in effect being maintained by making the programme an integrated part of national regional policy. How this will work in practice remains to be seen, as discussed briefly in the sections on policy instruments and administration below.

Neither the organisational changes nor the new form of spatial selectivity seem likely to change the existing emphasis with regard to policy instruments and development strategies.

¹¹ European Commission, *Corrigendum - State aid N 693/2006 - Denmark: Regional aid map 2007-2013*, C(2007) 1670, Brussels, 24 April 2007

The powers specifically granted to the new fora by the 2005 Business Development Act concern the six priority areas mentioned above - innovation, ICT, entrepreneurship, human resources, tourism, and peripheral areas - and are subject to the same explicit ban on direct financial aid to individual firms that applied to the *Amter*. This means that, in broad terms, the policy instruments available to the new fora are very similar to former regional development measures initiated 'from below' - although the shift from being an optional activity subject to political vagaries at the regional level to being a statutory task does, of course, suggest that this policy area has moved up the political agenda.

In terms of regional policy delivery, the new setup clearly involves a change of approach in the direction of the 'Swedish model' of regional growth agreements which:

- cover the entire country (but with a positive resource bias in favour of peripheral localities),
- are partnership-based (although, in the Danish case, with a rather limited role for state institutions at least in the early phases), and
- involve arm's-length bodies continuing to play an important role in policy delivery (because both the new regions and the regional growth fora have been cast in the role of policy instigators rather than front-line implementers).

The rationale for these principles would seem to be: to achieve a balance between efficiency and equity considerations; to build on the positive experiences with partnership in the more successful European programmes while avoiding encroaching on the discretion of other central government departments in regional matters; and to avoid the regional level becoming too powerful vis-à-vis local government with respect to economic development.

4. THE COMPONENTS OF REGIONAL POLICY

4.1 Regional incentives

Central government regional grants for individual firms were terminated in Denmark in 1991. In the period since, the only financial incentive employed has been an additional tax rebate available in designated peripheral areas to persons commuting more than 100 km to work and back for a period of at least five years. This was introduced in response to the perceived need to address the problems faced by peripheral areas, as highlighted in the 2003 White Paper. Effective from 2004, the impact of this measure (which, anyway, is available to individuals under the personal taxation system rather than to firms) is likely to be limited both in terms of changing settlement patterns and financially: figures on uptake are difficult to obtain because they are not registered separately by the tax authorities, but estimates put the loss of tax income at around €4 million. The measure will continue throughout the 2007-2013 Structural Funds programming period before being evaluated and

now applies in the officially designated peripheral areas shown in Figure 3.¹² Its ambiguous political symbolism is, however, striking: while, on the one hand, a spatially targeted tax concession demonstrates a commitment to peripheral localities, it also signals that their future perhaps lies in being commuter communities rather than in developing new economic activities.

Direct subsidies to individual private firms are unlikely to form part of the policy package of the new regional growth fora, being actively discouraged by central government and also controversial given that business interests are strongly represented in the partnership fora. On the other hand, venture capital arrangements providing ‘soft loans’ seem likely to play a role in the implementation of the next ERDF programme.¹³

However, this does not mean that the new regional state aid map will be of no practical importance, in fact quite the contrary. It has been produced as part of a harmonisation project within central government that has sought to create uniformity between the various designations of peripheral areas employed in Denmark. As a result, the state aid map approved by DG Competition is in effect identical to the map of peripheral areas (Figure 3). Combining business income and population growth as the main underlying indicators at the district level, the state aid map reflects the same philosophy as Danish regional policy, i.e. securing the maximum contribution to national growth from all parts of the country while targeting particular measures to improve the position of localities which are relatively weak with regard to levels of private sector activity and demography.

4.2 Support for the business environment

In terms of public resources being made available to private firms, the backbone of non-EU related regional development activities in Denmark has, since the abolition of regional grants in 1991, been various types of business advisory service of a more or less specialised nature. After an uneven process of consolidation, basic business development services were gradually streamlined into a uniform system sponsored by all three tiers of government.¹⁴ Following local government reform, these basic activities have become the responsibility of local government, as laid down in the 2005 Business Development Act. In theory, this allows the new regional tier to concentrate on more specialised development activities, although the new and larger local authorities may also venture into this more demanding area of business support. In practice, however, the existing multi-tier sponsored *Regional Business Centres* would seem to have largely transmuted into *Regional Growth Houses*, albeit with a stronger emphasis on small and new firms “with ambitions to grow”,¹⁵ and thus, at least for

¹² Indenrigs- og Sundhedsministeriet (2007). *Regionalpolitisk Redegørelse 2007*. København, Indenrigs- og Sundhedsministeriet, p21; Indenrigs- og Sundhedsministeriet (2007). *Regionalpolitisk redegørelse 2007 - Analyser og baggrund*. København, Indenrigs- og Sundhedsministeriet, pp 8f.

¹³ See Halkier, H. (2007). *Closing Down and Opening Up - Danish Structural Funds Programming Spring 2007: country report for Denmark for the meeting of IQ-Net, Sachsen-Anhalt 2007*. Vaarst, KatPlan.

¹⁴ See Erhvervs- og Byggestyrelsen (2005) *Årsrapport 2004*, København: Erhvervs- og Byggestyrelsen.

¹⁵ See <http://www.ebst.dk/eservice>.

the time being, the division of labour between the regional and local tiers would not seem to have been significantly altered in the wake of local government reform.

4.3 Regional programmes and strategy development

Since the late 1990s, various forms of multi-year programming have become an increasingly conspicuous part of nationally-sponsored regional policy, first through the designation of *Regional Growth Coalitions* by the 2003 White Paper in nine peripheral localities as well as through the spread of *Regional Business Development Coalitions* - relatively loose cross-regional networks dominated by public institutions with the aim of generating joint projects which could be put forward for national and/or European funding. Both of these programme initiatives have been superseded by the new regional growth fora, although some of the projects developed by them are likely to continue within the new setting.

The regional growth fora operate on the basis of what could perhaps be called a 'soft' programming approach. In the first place, priorities, strategies and key projects are developed through a more or less extensive dialogue with social partners. Then, funding issues are addressed using those funding sources which are available and predictable - especially European and local allocations - while attempting to raise additional resources from other public and private sources.

In terms of strategy development and fundraising prospects, the so-called *partnership agreements* between central government and each of the six regional growth fora are potentially important.¹⁶ These documents, signed in early summer 2007, cover the period 2007-2009 and entail both a general political commitment to shared goals and specific undertakings that the two sides will attempt to further. While the general political commitments are officially heralded as securing compatibility between the globalisation strategy of central government, on the one hand, and regional strategies for economic development, on the other, this objective had in fact already been fulfilled because, unsurprisingly, neither central government nor the regions have deviated from the growth-oriented strategic thrust of the 2005 Business Development Act. Instead the real significance of the partnership agreements could be of a more mundane nature, namely to create a degree of commitment by departments of central government other than the Ministry of Economic and Business Affairs to regional activities, in much the same way as the previous Regional Business Development Coalitions. If this is indeed the case, then the strategic importance of the agreements may well be to increase awareness among - and

¹⁶ Regeringen / Bornholms Vækstforum (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Bornholms Vækstforum; Regeringen / Vækstforum for Region Hovedstaden (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Hovedstaden; Regeringen / Vækstforum for Region Midtjylland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Midtjylland; Regeringen / Vækstforum for Region Nordjylland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Nordjylland; Regeringen / Vækstforum for Region Syddanmark (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum for Region Syddanmark; Regeringen / Vækstforum Sjælland (2007). *Regional partnerskabsaftale om vækst og erhvervsudvikling*. København, Regeringen / Vækstforum Sjælland.

perhaps even coordination between - various departments of central government which have not traditionally seen themselves as having a regional remit.

Since the beginning of the implementation of local government reform in 2005, intensive processes of strategy development have unfolded around the six new regional growth fora. Because the fora generally work with geographies different from the old *Amter*, the process has started with the undertaking of extensive empirical analyses - in which the consultancy off-shoot of the Ministry of Economic and Business Affairs, *Fora*, played an important role. This was followed by a variety of semi-public processes where key actors have been involved in debating and drafting new development strategies.¹⁷ However, as the new Business Development Act only enables the regional growth fora to pursue activities which are broadly in line with current approaches, the overall profile of regional development programmes has not changed dramatically. Having said this, both the relative emphasis on the four growth drivers and the specific ways in which, for instance, cluster-support strategies have emerged clearly differ between regions. Consequently, the scope for even greater variation on the themes defined by the 2005 Business Development Act may well evolve over time.

4.4 Other national spatially-targeted measures

The new regional growth fora focus primarily on business development issues, i.e. activities supporting private firms to become more competitive. However, with the broadening of coverage to include both tourism - traditionally a separate policy area in the Danish context - and some rural development activities, the scope of regional policy would seem to have been extended. On the other hand, both of these policy areas still appear to be part of policy networks where the role of the new regional growth fora could be rather uncertain: regional tourism policy is part of a vertical coordination system with VisitDenmark at the apex and local tourist destinations at the base;¹⁸ and the increasingly important rural development activities are generally dealt with at the local level despite their obvious relevance in relation to the remit of the regional growth fora to peripheral localities. Moreover, the new regions will not take over the spatial planning powers of the old *Amter* but instead will adopt a governance-through-persuasion approach, bringing local government and social partners together in an inclusive and very elaborate process which will eventually produce a non-binding *Regional Development Plan*. Given the gradual reduction of the role of regional-level planning over the last two decades, the extent to which this will create problems for individual development projects is likely to be limited. From a business development perspective, the main attraction of the process could be the possibility for putting issues that the regional growth fora themselves are barred from addressing (such as transport infrastructure) on the regional political agenda.

¹⁷ Something which is amply documented on the websites of the regional growth fora.

¹⁸ See Therkelsen, A. and H. Halkier (2004). "Umbrella Place Branding. A Study of Friendly Exoticism and Exotic Friendliness in Coordinated National Tourism and Business Promotion." *Spirit Discussion Papers*(26).

4.5 The relationship of national regional policy to the Structural Funds

The Structural Funds are now integrated in a more comprehensive manner within national policies for economic development, both in terms of organisation (via the pivotal role of the new regional growth fora) and with regard to policy priorities (through the combination of growth- and periphery-oriented measures).

In order to facilitate the planning of the regional growth fora that will administer the Structural Funds in the regions, the May 2006 government report on regional growth¹⁹ announced both the principles for the inter-regional distribution of funding and the resulting allocations for the next seven years. Funding has been allocated to the six regional growth fora on the basis of a synthetic index comprising the following indicators:

- share of population in designated peripheral areas (45 percent weight)
- share of total population (40 percent weight)
- share of unemployed population (10 percent weight)
- share of persons with no post-school education (5 percent weight)

All in all, this means that criteria oriented towards 'special needs' weigh 60 percent in the index, while the remaining 40 percent spreads funds evenly across the country on a per capita basis.

Before distributing funds, 10 percent will be set aside for competitive allocation in order to encourage innovative and inter-regional projects, resulting in the distribution reported in Table 2. It should be noted that the distribution does not differ significantly from that in the current programming period and that regions with large peripheral areas - North Jutland and Bornholm in particular - continue to receive preferential treatment. As a consequence, the announcement of the new distribution did not give rise to much political debate.

The two Danish Structural Funds programmes for the 2007-2013 period do not engage in micro-zoning - in principle resources can be applied everywhere. However, the political agreement about local government reform included a commitment to maintain the share of peripheral areas in Structural Funds expenditure. The programming documents have translated this into a requirement to spend at least 35 percent of the funds for the benefit of - but not necessarily only in - the areas designated as peripheral. This can be viewed as a case of 'going for growth' in general, but making an extra effort in localities that are lagging most behind.

¹⁹ Regeringen (2006) *Regionalpolitisk vækstredelse af 24. maj 2006*, København: Økonomi- og erhvervsministeriet.

Table 2: Regional allocation of Objective 2 Funding in Denmark, 2007-2013

	North Jutland	Mid Jutland	South Denmark	Zealand	Greater Copenhagen	Bornholm	Total
Yearly regional allocation (DKK)	112	72	102	72	70	15	443
Distribution 2000-2006 (%)	26.2	14.4	21.3	16.8	17.8	3.3	100
Distribution 2007-2013 (%)	25.3	16.2	23.1	16.2	15.9	3.3	100
Business income share (%)	9.7	21.9	20.3	14.9	32.5	0.6	100
Population share (%)	10.6	22.5	21.8	15.0	29.3	0.8	100
Source: Regeringen (2006) <i>Regionalpolitisk redegørelse 2006 - Analyser og baggrund</i> , København: Regeringen.							

European funding is, however, only one of the three main sources of finance for the regional growth fora: the 2005 Business Development Act instituted an annual per-capita contribution from local authorities (currently €15), and central government provides funding for regional development activities as part of the annually negotiated regional block grant (in 2007 amounting to c 80 percent of the Structural Funds expenditure planned).²⁰

5. THE ADMINISTRATION OF REGIONAL POLICY

The six regional growth fora have been in operation since April 2006 (after having been preceded by temporary fora except in Copenhagen). They reflect the pattern foreseen in the 2005 Business Development Act:

- At the political level, the fora consist of persons proposed by local government - i.e. the new districts and regions - as well as private sector organisations and knowledge institutions.
- At the administrative level, the absence of organisations covering the geographical areas of the new regions meant that NAEK initially took a lead-role in constructing more or less virtual temporary secretariats for the new fora. However, following the reallocation of staff between the old and the new public authorities, the administrative support for the new growth fora is now firmly integrated into the new regional administrations, despite reporting to the regional growth fora partnership bodies rather than the democratically elected regional councils.

²⁰ Økonomi- og Erhvervsministeriet (2007). *Regionalpolitisk vækstredøgørelse 2007*. København, Økonomi- og Erhvervsministeriet.

The main roles of the new fora will be:²¹

- To keep track of developments in their area; this will be done through a data collection system and a regional development model developed jointly between central government and the growth fora.
- To initiate new activities through funding from both local and central government, although the new fora are statutorily prohibited from implementing programmes directly. They cannot therefore become English-style RDAs.
- Subsequently, new primary and secondary legislation²² has given the new fora a key role in the administration of the Structural Funds in Denmark, thereby increasing the resources at their disposal and the scope for coordination between regional development activities sponsored by different tiers of government.

This should allow the regional growth fora to base their policies on up-to-date analyses of regional development trends, while facilitating evaluation within and across regions with regard to both policy programmes and individual projects. It should also improve integration between policy programmes. Place-sensitive, joined-up policies within a partnership-based, multi-level governance framework are the goal. This may prove to be achievable especially if central government remains flexible with regard to its oversight of the new system, and - perhaps even more important - if local authorities do not engage in parochial short-term territorial politics in order to secure 'their' share of development activities.

6. CONCLUSIONS

With the new Structural Funds programmes about to come on stream, the transitional phase of Danish regional policy is about to end. While the redrawing of regional boundaries may in itself prompt some degree of innovation, at least three types of strategic issue are likely to emerge in the wake of the institutional changes which are in train.

First, given the objectives and powers defined in the 2005 Business Development Act and the longstanding and broad political consensus surrounding regional policy in Denmark, major strategic changes to regional policy seem unlikely. However, the much stronger presence of private-sector actors within the partnership-based regional growth fora may affect the overall balance of activities, especially in regions which have more limited experience with a partnership-based approach to regional development. Given the rather

²¹ L47 of 16 June 2005.

²² L1599 of 20 December 2006; Økonomi- og Erhvervsministeriet (2007). Bekendtgørelse om henlæggelse af beføjelser til Erhvervs- og Byggestyrelsen efter lov om administration af tilskud fra Den Europæiske Regionalfond og Den Europæiske Socialfond, 17.1.07. København, Økonomi- og Erhvervsministeriet.

similar strategies formulated, any such effects are like to materialise only when implementation begins in earnest.

Second, as in any policy programme, the eventual outcome will depend on the interplay between overall strategies and the specific projects that are developed. It will be particularly interesting to see whether the essentially *ad hoc* approach of the old Regional Growth Coalitions (reflecting their lack of internal funding and associated limited leverage) or the more strategy-driven approach which has characterised, for instance, the Objective 2 programme in regions such as North Jutland, will prevail.

Third, the role of central government in relation to the new regional growth fora remains to be seen. National regulations are still in place, not just through the 2005 Business Development Act but also via, for example, the political priority given to designated peripheral areas in the distribution of funding to and by the regional growth fora (although how rigidly this will be interpreted in practice remains to be seen). Nor is it at present clear to what extent there may be pressure for regionalisation of further national-level activities with economic development implications once the new setup has begun to mature - for instance inspired by the partnership agreements between central government and the regional level.

Notwithstanding this, Danish regional policy is in the process of undergoing a remarkable transformation, possibly comparable to the radical decision in the early 1990s to terminate rather than just reduce traditional financial subsidies to individual firms. Multi-level partnerships, with particular consideration given to areas of special need, are now the *modus operandi* of regional policy throughout the country. This approach is fundamentally different from both the spatially selective traditional national and European programmes and, indeed, from the uncoordinated mushrooming of bottom-up initiatives. How different it will be in practice - and especially from the perspective of the firms and organisations targeted by this new-model regional policy - can only be estimated once implementation begins and good intentions are translated into concrete policy initiatives.